

# SECTION 1: RATE CASE UPDATES

One of the core functions of PURA is regulating the distribution rates of Connecticut's investor-owned electric, natural gas, and water utility companies. In the late 1990s, many states, including Connecticut,[1] decided to deregulate their electric markets because electric utilities' vertically integrated monopoly structures were not seen as conducive to achieving fair and affordable service for ratepayers. This meant that the electric utilities in deregulated states were required to sell any generation assets they owned and that rates would reflect the unbundled costs of energy transmission and distribution, and wholesale generation. The objective was to reduce costs and risk for ratepayers by participating in wholesale electricity generation markets and leveraging competition and consumer choice in retail electricity markets.[2] Therefore, PURA regulates the rates utilities charge to recover the costs of owning and maintaining distribution infrastructure only, while the cost of generation is instead now driven by the New England regional wholesale market.

Regulation of distribution rates is primarily conducted through rate case proceedings. Connecticut law requires PURA to conduct a rate case for public service companies at certain intervals and within a certain amount of time. As a result of the "Take Back Our Grid Act" (Public Act 20-05), for water rate cases, PURA has 200 days, and for electric and gas rate cases, PURA has 350 days.[3] During each rate case, PURA's objective is to determine whether the rates proposed by the utility are just, necessary, and reasonable. To do this, Authority staff with expertise in accounting, finance, utility regulation, engineering, economics, and policy scrutinize the prudence of the utility's rate base. A utility's rate base includes the facilities, infrastructure, and other capital investments made by the utilities to supply safe, reliable, and

cost-effective service to customers. Utilities finance these investments through a mixture of debt and private equity, and then seek to recover these investments through rates paid by ratepayers. The Authority conducts a prudency review by analyzing the evidence provided by the utilities and other Parties to the rate case proceeding to ensure that all costs included in the rate base are reasonable. Specifically, Authority staff carefully review all relevant filings, conduct public cross-examination of utility and other witnesses in hearings, issue interrogatories (or written questions) in advance of those hearings, and review public comment. See Appendix 1 for more information on docket procedures.

In addition to recovering their rate base, utilities are also afforded the opportunity to earn a specified return on prudent investments through rates, as dictated by centuries-old U.S. Supreme Court precedent. This return is set by considering whether the rates resulting from any approved rate of return are just and reasonable. Last, the utility is also allowed to recover, without an additional return, certain operations and maintenance costs, such as labor.

To determine the annual revenue for the utility (called the [revenue requirement](#)), that [rate of return](#) is multiplied by the rate base and then added to pass-through operations and maintenance expenses. The charges to be applied on customer bills in order to allow the utility to recover this annual revenue requirement are then calculated. These charges can take various forms, including fixed customer charges (\$/customer), demand charges (\$/kW measured in a particular period), and volumetric charges (\$/kWh). Any under- or over-collection of this annual revenue requirement is subject to reconciliation pursuant to the state's revenue decoupling law. In short, this reconciliation methodology ensures that the utility receives its annual revenue requirement, regardless of its annual energy sales. For information on how differences in expected and actual revenues are reconciled each year, see the discussion of the Rate Adjustment Mechanism in Section 3 below in this Report.

Ultimately, rate cases are some of the most important work that the Authority does because they affect all residents, businesses, critical infrastructure, and industries within a utility's service territory. The Authority currently has two active rate cases underway, which will both conclude in 2023. The status of these cases is summarized below.

## ACTIVE RATE CASES

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In 2022, both the Aquarion Water Company (Aquarion), and The United Illuminating Company (UI) filed rate cases with the Authority. Robust public engagement and comment have been priorities in both proceedings, as demonstrated by the multiple opportunities for public comment offered through live sessions conducted in the

communities and held virtually, during lunchtime and evening hours, and the opportunity to submit comments in writing at any time. Until a decision is reached in each docket, PURA is unable to comment substantively outside of the formal noticed proceedings; however, the procedural progress of each case is provided in the timelines below. Differences between schedules result from the difference in the statutory deadlines (200 days for water and 350 for electric), other docket schedule conflicts, and/or needs of the individual rate case.

**Figure 2: Active Rate Case Progress and Next Steps**



## ADDITIONAL RATE CASES ON THE HORIZON

In the next twelve months, PURA expects that it could have several additional distribution rate cases before it, incremental to the Aquarion and UI rate cases. Rate cases are a key regulatory mechanism for improving utility service and affordability. While they may result in rate increases to account for incremental investment in infrastructure, inflationary pressures, and other cost drivers, rate cases also remain the best tool that regulators have to ensure utility costs are contained from a long-term perspective and that the utilities are being managed with efficiency and care. They provide an opportunity to both regulators and other stakeholders for careful scrutiny of all parts of a utility's business operation, which also helps improve transparency and accountability.

Though opportunities for public comment and participation will not be available until these rate cases are officially filed, PURA continues to emphasize the importance of proactive and transparent public engagement. Members of the public, legislators, representatives of various companies or industries, municipalities, and all other interested stakeholders are encouraged to view the [PURA rate case page](#) and to familiarize themselves with related resources on the various components of a rate case

### PURA Video Tutorials About Rate Cases

Click the links in each circle to learn more.

[Overview of Rate Cases & Why They Matter to You](#)

[Ways to Get Involved In a Rate Case](#)

[The Why and How of Setting Utility Rates](#)

[Parties in a Rate Case](#)

[How is my bill affected by a rate case?](#)

[Review of Storm Costs in a Rate Case](#)

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[1] By 1998, Connecticut and 17 other states took action to restructure their electricity markets and to require the electric utilities to divest ownership of generation assets in full or in part. Today, 24 states and Washington D.C. have competitive, deregulated electricity markets.

[2] For more information on deregulation in Connecticut, see CT DEEP 2020 Connecticut Integrated Resources Plan available here: <https://portal.ct.gov/DEEP/Energy/Integrated-Resource-Planning/Integrated-Resource-Planning>

[3] Conn. Gen. Stat. § 16-19(a)